

29 May 2015 (No. of pages: 16)

Japanese report: 17 Nov 2014

# Japan's Immigration Problem

## Looking at immigration through the experiences of other countries

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### Summary

- Although Japan lags significantly behind Europe and North America in accepting foreign workers, there are now two million foreign residents living in Japan with 30% of these holding permanent resident status. While the government retains the outward stance that unskilled laborers will not be accepted, it is considering the adoption of a more positive stance as regards the acceptance of foreign workers needed by the construction industry. However, it is likely that Japan will soon run up against the limits of preserving a contradictory policy while expanding the number of foreign workers accepted in small increments. It is time to begin discussing what the best policy might be regarding the acceptance of foreign workers, and to base these arguments on objective fact.
- In advanced nations where immigration plays an important role, such as Europe and North America, the acceptance of foreign workers has become an increasingly controversial topic. There is no lack of examples pointing to the challenges of creating a multicultural society, and this should be enough to signal the importance of initiating a discussion of Japan's policy regarding the acceptance of foreign workers. For instance, the example of Germany, where a variety of social problems have developed in association with immigrants, shows that avoidance of dealing face to face with the problem of immigration can itself be the cause of problems. The absence of a policy could very well be a factor in the development of problems associated with immigration and foreign workers as well as their increasing seriousness. Japan has much to learn from the experiences of other countries when it comes to these problems.
- In the case of highly skilled workers, competition has been heating up between the advanced nations to acquire more individuals in this category. One of the unfortunate consequences of this competition has been the brain drain that occurs in countries of origin when skilled professionals such as doctors, nurses, and teachers emigrate. This can lead to the deterioration of social infrastructure, and is detrimental to the local supply of skilled personnel. One way of avoiding this situation is for the advanced nation accepting skilled workers to take responsibility for the training of personnel in the country where said workers originate. For Japan, which is less competitive when it comes to attracting highly skilled workers, it is necessary to advance a policy whereby personnel are trained before being called upon to go there for work.

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- Another factor in this area is the importance of building and maintaining good relations with Asian countries. Japan has a high rate of dependence on Asian countries for the supply of workers (for all intents and purposes immigrants) and this is expected to remain unchanged in the future. At the same time, some of these countries are expected to follow in Japan's footsteps in developing a falling birthrate, meaning that it will become increasingly difficult to attract younger people. This means that building and maintaining good relations with Asian countries while at the same time increasing competitiveness in acquiring foreign workers will become all the more important in the future.

## Advances in Policy to Accept Foreign Workers

On June 24, 2014, the cabinet gave its approval to the Japan Revitalization Strategy (Revised 2014) which includes “Utilization of Foreign Workers” as one of its points coming under the heading “Employment System Reform / Strengthening of Human Resources”. The main supports for this policy are first strengthening competitiveness of human resources acquisition and revitalizing Japan’s economy by “Providing an Environment for the Acceptance of Highly Skilled Foreign Workers”, and secondly, a “Fundamental Revision of the Technical Intern Training Program”. The purpose of this latter item (the Technical Intern Training Program) is to provide an international contribution through the offering of training of human resources and for overseas technology transfer by accepting foreign workers for a specified period of time. The Japan Revitalization Strategy (Revised 2014) calls for a revision of the program, expanding the range of occupational categories covered, and lengthening the period of stay. An enlargement of the quota for accepting foreign workers is built in to the revision. Furthermore, a measure is included to allow the experimental utilization of foreign maids in special economic zones. Incorporation into the “Third Arrow” of Abenomics (i.e. growth strategy) constitutes a major transformation of the policy for accepting foreign workers, which until now had been approached in a fairly passive manner.

### Too Many Foreigners? Or Too Few?

According to statistics on foreign residents in Japan collected by the Ministry of Justice, there were 2,807,000 foreigners living in Japan as of the end of June 2014. For the sake of an international comparison, the total number considered to be “migrants” according to the definition used by the United Nations is 2,437,000 (as of the end of 2013). The ratio of foreign residents to Japan’s total population is 1.9%.<sup>1</sup> Should this percentage (just under 2%) be considered large or small?

The most basic reason for people to move across borders is economic disparity. As of the year 2013, the ratio of migrant population to the world’s total population was 3.2%, with 10.8% living in advanced nations and 1.6% living in developing nations. The difference in these two figures speaks for itself.<sup>2</sup> Chart 1 (left) shows data from countries making up the G20 membership. Countries are listed in order of GDP per person (line graph) from left to right as of the year 2013 (excluding the EU). The bar graph portion shows the ratio of migrants to total population. It is easy to see the trend whereby the higher the income level the higher the ratio of migrants becomes.<sup>3</sup> (Saudi Arabia is an irregular example here.)

Meanwhile, Chart 1 (right) shows migrant ratios in the G20 nations at three key points in time – 1990, 2000, and 2013. It is easy to see with merely a cursory look that those countries with higher income levels show a growing trend in migrant populations (with the exception of Korea). The overall ratio for all of the advanced nations is growing, with 7.2% in 1990, 8.7% in 2000, and 10.8% in 2013. The right hand side of the chart shows countries with medium to low incomes. One can easily see how growth in the ratio of migrants according to time-series data shows mixed results. The conclusion is that ratios of migrant populations to total populations for the entire world overall has not changed much, with 2.9% in 1990, 2.8% in 2000, and 3.2% in 2013. Progress in globalization during this time has not necessarily increased cross-border mobility. However, the advanced nations have continually increased in their attractiveness to potential migrants.

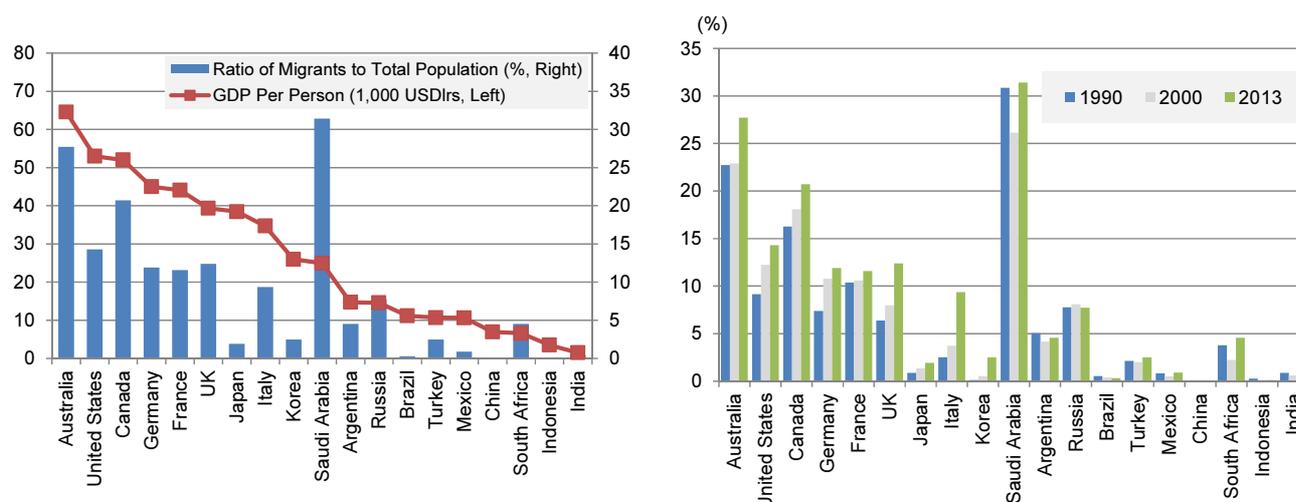
<sup>1</sup> The Ministry of Justice tally comprises the total of workers, foreign students, and spouses of Japanese nationals on mid to long-term stays (including individuals with permanent residence status) and special permanent residents. Ninety-nine percent of the latter category consists of individuals holding Korean or North Korean citizenship. The United Nations defines “migrants” as individuals who live in a foreign country for more than one year.

<sup>2</sup> Advanced nations include North America, EU, Australia, New Zealand, and Japan. Developing countries are defined as all other countries. Categories used are those of the United Nations.

<sup>3</sup> Many of the Middle Eastern countries have especially high migrant ratios, especially those which are oil producers. These include Qatar (73.8%), the United Arab Emirates (83.7%), and Kuwait (60.2%). The figure for Saudi Arabia is irregular for the region.

Income Levels in G20 Member Nations and Ratio of Migrants to Total Population

Chart 1



Source: United Nations, IMF; compiled by DIR.

Note: Time scale starts with the year 2013 on the left hand side

In making a comparative assessment of these findings, we see that Japan's ratio of migrants to total population for the year 2013 is extremely low at 1.9%. First of all, there is of course the geographic factor at play. But this does not discount the unavoidable second factor that Japan's attractiveness as a destination for migrants is seriously eroded by the country's strict policy as regards the acceptance of foreign workers.

As can be seen in Chart 1 (Right), the ratio of migrants to total population in Russia and South Africa is relatively high in comparison to income levels in those countries. To a certain degree this can most likely be explained by the relative income levels in different regions. South Africa is the number one industrialized nation in Sub-Saharan Africa, while Russia is surrounded by former Soviet republics such as Central Asian nations where average income is low. That Japan lacks these kinds of geographical conditions of course goes without saying.

On the other hand, Japan's strict policy as regards the acceptance of foreign workers limits residential status for the purpose of work to specialized and technical areas. A quota has never been established for the acceptance of unskilled labor. The government's strict stance in accepting foreign workers can also be seen in the sluggish performance of the EPA agreements with the Philippines and Indonesia, according to which registered nurses and nursing care workers are to be accepted from those countries. Another aspect of this situation is likely the result of an absence of consensus amongst different government ministries as regards the acceptance of foreign workers. The government's fundamental stance as regards the acceptance of unskilled labor was announced in 2008 in its Basic Policy on Employment, expressed most vividly in the following quote: "Expansion of the acceptance range of foreign workers including that of unskilled labor may intensify the dual structure of the labor market and obstruct improvement in working conditions, resulting in hindering business operators to meet demand for labor and securing personnel. Participation in the labor market by the Japanese youth, women and senior citizens is important."

While Japan's ratio of migrants to total population is extremely low in comparison to other advanced countries, if we look at the data in the form of a time-series, we can see that the ratio is actually in a growth trend. As of 1990 the ratio was at 0.9%, meaning that the percentage of foreign workers in Japan has doubled over the past twenty years. When it comes to our actual experience in society, it is not very meaningful to compare Japan with foreign countries. There are likely many Japanese people who get the feeling that the number of foreign residents has increased. In actual fact, in a somewhat older survey carried out in 2004 by the Cabinet Office called the "Survey Regarding Acceptance of

Foreign Workers”, 51.0% of respondents answered “Yes” to the question, “Do you get the feeling lately that the number of foreigners working around you have increased?”, while 17.5% responded that they “feel strongly” that foreign workers are increasing, and 33.4% responded that they “feel somewhat” that there is an increase.

Looking at it from this angle, it is not necessarily possible to say that there are few foreigners living in Japan. At the beginning of this report we touched upon the Japan Revitalization Strategy (Revised 2014). For many people, Japan’s taking a more positive stance toward the acceptance of foreign workers would mean that the government is choosing “a policy to increase the number of foreigners despite the fact that their numbers are already increasing”. It is necessary to question whether at least some effort is being made at consensus-building amongst Japan’s citizens. The immigration problem, otherwise known as the question of whether to accept foreign workers, is now at a point where it could easily become a polarizing issue between those who are for and against. Increasing the number of foreign workers merely by becoming more aggressive as regards a poorly planned policy could ultimately lead to an escalation of the polarizing tendencies of this issue.

## The Limits of a Patchwork Policy

In actual fact it is still unclear whether the Japan Revitalization Strategy (Revised 2014) will become the turning point in Japan’s policy as regards the acceptance of foreign workers. Upgrading and expanding the Technical Intern Training Program, which is one of the pillars of policy enforcement, seems less a fundamental turning point in policy than merely an ad hoc measure to deal with the shortage of labor in the construction industry. However, this is not to say that said ad hoc measure to deal with the shortage of labor in the construction industry, especially if it is successful, would not eventually become the means of opening the way to gradually chipping away at the question of accepting more foreign workers. However, approaching the problem in this way would be an especially negative development as it skirts the need for public debate of the subject.

As was mentioned earlier, the Japanese government maintains the façade of closing Japan’s doors to unskilled labor, while in fact the situation is actually quite different. According to a report produced by the Ministry of Health, Labour and Welfare, “Status of Reporting on Employment Situation of Foreigners”<sup>4</sup> (as of end October 2013), the number of foreign workers holding residential status for the purpose of work in specialized and technical areas accounted for only 18.5% of the total number of foreign workers residing in Japan. Other categories included a large number of unskilled laborers. One typical case is the 17.0% of the total which is engaged in Activity Other Than That Permitted under the Status of Residence. This category constitutes part-time work performed by individuals on student visas. Meanwhile, foreigners holding Status of Residence Based on Status or Position include a large number of persons of Japanese ancestry from Brazil and Peru. It is well known that most of these people perform unskilled labor in factories mostly in the manufacturing sector. The number of people of Japanese ancestry from South America working in Japan originally began to increase in 1989 after the Immigration Control and Refugee Recognition Law was revised. The revision had its roots in the decision to accept persons of Japanese ancestry and their families up to third generation individuals. This was a policy created to deal with the tight labor market which developed in the course of Japan’s economic bubble of the 1980s. Hence the supply of unskilled foreign workers increased at that time even though the Japanese government maintained its façade of not accepting unskilled labor, bringing in people with the “Status or Position” of being a person of Japanese ancestry.

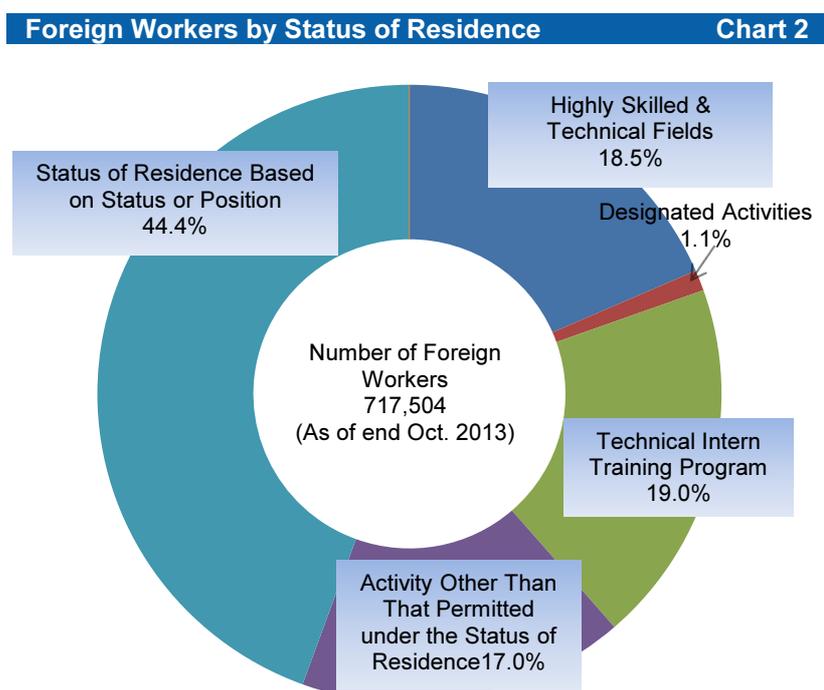
Furthermore, the Technical Intern Training Program is a status of residence which clearly indicates the

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<sup>4</sup> This survey is based on replies from places of business, and the assessment of the total number of foreign workers is on the low side. According to the Statistics on Foreign Residents published by the Ministry of Justice based on issuance of visas, the number of individuals holding residential status for the purpose of work in specialized and technical areas totaled 204,726 as of end December 2013, exceeding Status of Reporting on Employment Situation of Foreigners, which totaled 132,571 as of October of the same year.

discrepancy between the government’s façade and reality. As was noted earlier in this report, the Technical Intern Training Program was originally established for the purpose of technology transfer overseas and as a means of making an international contribution. But in actual fact, it has functioned as a tool to procure cheap labor for small business, including agriculture and other primary industries. There are more than a few employers who have ignored the Labor Relations Law under the pretense of offering training. Numerous examples have appeared where wages offered to workers (interns and trainees) were below the minimum wage. According to a report issued by the Ministry of Health, Labour and Welfare entitled “Status of Supervision and Reporting of Violations by Organizations Implementing Technical Intern Training”, of the total number of businesses undergoing supervision in 2008 and 2009, violations such as improper work hours and non-payment of overtime wages were acknowledged at 72.4% of businesses in 2008 and 70.5% in 2009. In light of these conditions, the government revised the law in July 2010 to include measures to provide legal protection for interns and trainees, and to establish their legal status. However, at the time this survey was published in August 2014, the percentage of businesses which were in violation of the law totaled 79.6% – even worse than before the law was revised. In other words, there was no change in the sense that this program was merely a tool to supply cheap labor. In either case, it goes without saying that the category of workers who tend to be forced into this type of situation are not “highly skilled & technical” workers, but unskilled laborers.

In its Trafficking in Persons Report 2014, the U.S. Department of State declared that Japan’s Technical Intern Training Program is a program whose actual purpose is for driving foreign workers into forced labor. In addition, the Japan Federation of Bar Associations issued an opinion letter in June 2013 calling for the immediate abolishment of the Technical Intern Training Program.



Source: Ministry of Health, Labour and Welfare; compiled by DIR.  
Note: As of end October 2013.

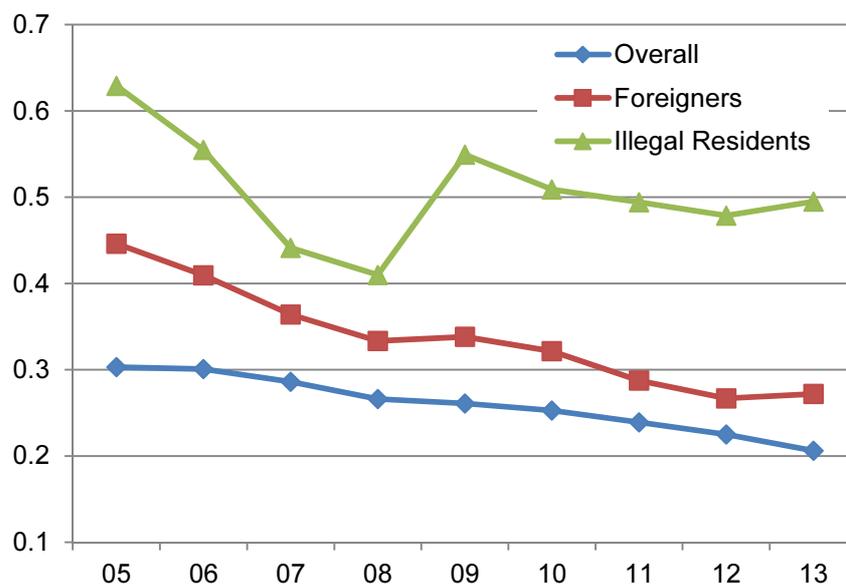
The problem now standing immediately before us is the fact that this program, which has been left in place despite the discrepancy between the government façade and its actual purpose, is to be upgraded and expanded so that the construction industry can increase the number of foreign workers accepted for its own purposes. Not only is there a danger that the number of foreign workers forced into situations with bad working conditions will increase, there is a high possibility that as a consequence, the two problems will merely aggravate one another.

For one thing, these problems may add fuel to the sharpening of the anti-acceptance argument regarding foreign workers. This is not necessarily a bad thing, but at the same time, saying things that could encourage a distorted image of foreigners should be avoided. One of the issues is of course public safety. According to crime statistics produced by the National Police Agency on an annual basis, the ratio of persons in violation of the penal code to foreign population is consistently higher than statistics for Japan overall, even if only by a small amount. However, this does not necessarily mean that foreigners are more likely to commit a crime simply because they are foreigners. The ratio of foreigners in Japan illegally continues to exceed the number who have legal status. This suggests that many foreigners lack a normal means of acquiring income, and this likely provides the motivation to commit crimes. Similarly, it is possible that the fact of workers being forced into situations with poor working conditions under the Technical Intern Training Program could also lead to an increase in crimes committed by foreigners.

Public safety (crime rate) also depends on how the system is set up. If defects in the system are preserved while at the same time increasing the number of unskilled laborers accepted in Japan, this could lead to an increase in crimes committed by foreigners, and despite the fact that this problem is caused by defects in the system itself, it could still lead to the entrenchment of the popular belief that an increase in the number of foreigners leads directly to the deterioration of public safety. It is quite possible that this could lead to an even stronger reaction against the acceptance of foreign workers. A quick and dirty move toward a more positive policy as regards the acceptance of foreign workers could actually become a hindrance to a fundamental transformation to a more aggressive policy.

Crime Rate

Chart 3



Source: National Police Agency (Annual Crime Statistics); compiled by DIR.

Note: Numbers denote ratio of persons in violation of the penal code to total population in each category, unit: %.

Another problem with the current policy to increase the number of foreign workers accepted in Japan is the immaturity of Japan's policy to accept foreign workers as can be seen in the Technical Intern Training Program. The more workers are accepted under that program with its poor working conditions the more this will become widely known in other countries around the world. This would result in even less ability of Japan to attract foreign workers in the future.

As was mentioned earlier in this report, in the 2008 Basic Policy on Employment, the basic stance was to prioritize the utilization of Japanese citizens over foreigners in efforts to increase the supply of labor and to increase the rate of operation in Japan's factories. Then a revised version of the policy was

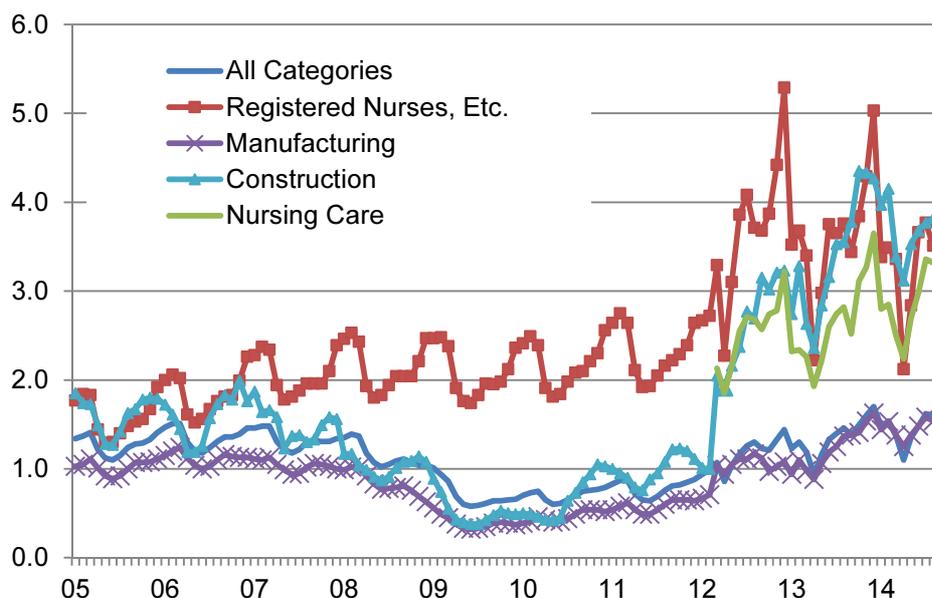
announced in April 2014. Foreigners are now given a position on the same level as seniors and women in terms of types of human resources which should be utilized more in the future. And now with the Japan Revitalization Strategy (Revised 2014), it appears that the acceptance of more foreign workers as being something unavoidable is moving toward a consensus within the government. If that is the case, then what needs to be done is not an upgrade and expansion of the Technical Intern Training Program, but the creation of a residence status for construction workers based on employment, which conforms to the residential status of persons in highly skilled and technical fields. As has been mentioned before in this report, making the most recent measures an exception and riding out the storm by virtue of upgrading and expanding the Technical Intern Training Program despite its contradictions brings costs and risks along with it. By going over the same old policy and coming out with newer and expanded versions over and over again, one may manage to gradually chip away at the question of accepting more foreign workers when that is felt needed on those occasions when supply of labor is tight. However, this may also unavoidably exacerbate arguments against utilizing foreign workers.

In addition to the above mentioned program, the acceptance of registered nurses and nursing care workers under the EPA agreement with Asian countries is another practice which will likely require an unavoidable review and rethinking. The reason for the scrutiny is of course the fact that like the construction industry, this field has a noticeably tight supply of labor. Nursing care workers were originally accepted as a part of the quota of foreign workers accepted under the Technical Intern Training Program.<sup>5</sup> However, there are problems with expanding the application of that program. If there is a limit to expanding the quota for the EPA program, then a worker resident status should be established specifically for registered nurses and nursing care workers, or simply consider expanding the number of workers accepted under the current program.

The argument for remaining strict regarding the acceptance of foreign workers points to the following mechanism to prove its point. Tight labor supply of course causes wages to increase, but at the same time, corporations are forced to improve productivity as a means of avoiding an increase in unit labor cost. The overly easy acceptance of foreign workers hinders this increase in productivity. This is a good point, but in the case of the nursing care industry, which depends on public funds and suffers from a chronic shortage of labor, a market mechanism such as described above cannot be depended on to put things right. There is plenty of room for argument as to whether raising the wages of nursing care workers in response to the tight labor supply would help to increase the productivity of medical institutions, or whether one can expect that this mechanism would come into play at all in publicly funded medical services. There are limits to the extent that labor force participation rates of women and the elderly can be increased. But on the other hand, if there is a major change in direction in increasing the number of foreign workers in this field, antipathy toward foreigners may merely increase amongst a certain percentage of the populace, and Japan's reputation as a destination for people seeking work through emigration will deteriorate further, harming its ability to continue attracting workers from abroad. This is the situation which really needs to be avoided. A quick-and-dirty move toward a more positive policy as regards the acceptance of foreign workers as is now in the process of being set up merely increases the risk of negative consequences.

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<sup>5</sup> Report on Results of Considerations Regarding the Direction of Review of the Technical Intern Training Program (June 2014), 6<sup>th</sup> Policy Research Council on Emigration and Immigration Management, Subcommittee Meeting on Consideration of Policy for Accepting Foreign Workers. Job category candidates for fields to be included in the upgrading and expansion of the program included automobile repair, forestry, prepared foods manufacturing, nursing care, and store operation & management.



Source: Ministry of Health, Labour and Welfare; compiled by DIR.

Note: Registered Nurses, Etc. includes public health nurses, obstetric nurses, and registered nurses.

## Are There Immigrants in Japan?

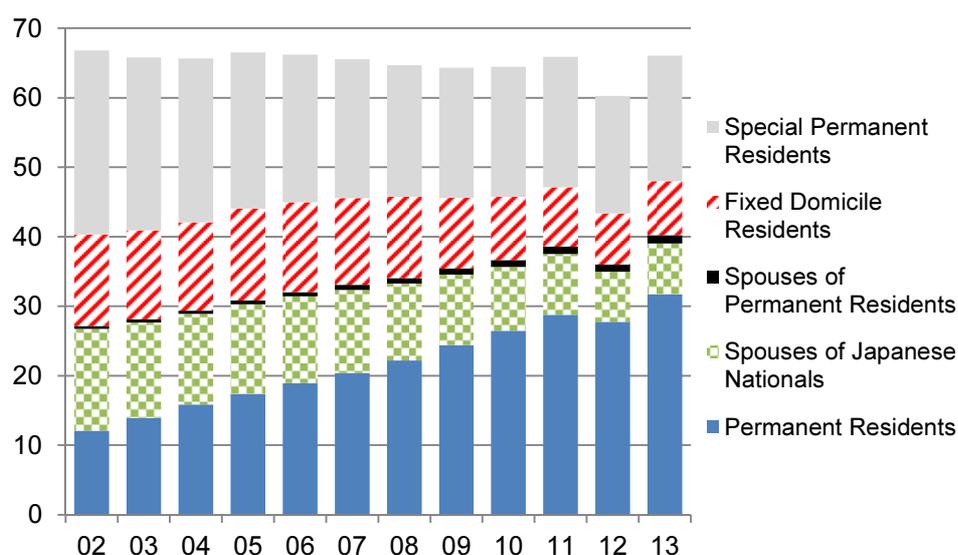
In the final analysis, it appears that the increase in the number of foreign workers to be accepted, despite the discrepancy between the government façade and its actual purpose, as can be seen in the upgrading and expansion of the Technical Intern Training Program, is the consequence of Japan's having continually avoided coming face to face with its immigration problem. The definition of the term "immigrant" as used in this report differs from that used by the United Nations. The UN defines "immigrants" as "individuals who live outside their country of origin for a period of one year or more". In contrast with this definition, Japan considers only those individuals who enter the country on the assumption that they will reside here permanently as "immigrants". There are currently no individuals in Japan who have entered the country under this status, and because of this fact the government maintains the façade that Japan has no immigration policy. Prime Minister Abe has not diverged from this stance as can be seen in statements such as "we will not adopt an immigration policy". As long as this façade is maintained, the Technical Intern Training Program is a convenient policy. The point of this policy is to make an international contribution and carry out technical transfer, so once a person entering Japan under this policy completes the specified time of his internship, there is nothing he can do but return to his country of origin. Hence upgrading and expanding this program will not lead to an increase in permanent residents (immigrants) in Japan.

However, whether or not an immigration policy is formulated, there is a clear contradiction in the government's continuing to turn its back on the immigration problem. The discrepancy between the reality and the façade here is not a small one. There are over 2 million foreigners now living in Japan and the percentage of individuals with permanent residence status is growing, having exceeded the level of 30% in the year 2013. Furthermore, if we include special permanent residents, for the most part comprising spouses of Japanese nationals, fixed domicile residents (mostly persons of Japanese ancestry), and ethnic Koreans with permanent residence in Japan, the percentage of foreigners with permanent residence in Japan exceeds 60%. Simply put, people belonging to these categories are immigrants by any definition (the only exception here being those whose intent is to acquire Japanese citizenship). Moreover, it is certain that de facto immigrants as described here will increase in the future.

As an example of this fact, there is the “300,000 foreign students” plan announced by the government in 2008 which targets the acceptance of foreign students in Japan to reach 300,000 by 2020 as compared to the 124,000 residing in Japan as of 2008. Foreign student status differs from the Technical Intern Training Program status in that students may acquire work visas (residential status for the purpose of work in specialized and technical fields) once their schooling is completed. They are also allowed to apply for permanent residence status after an established period of time has lapsed. The “300,000 foreign students” plan is itself a part of Japan’s global strategy, established with a view to “the globalization of Japanese society through the promotion of the social acceptance of foreigners after completion of their studies”. This is an immigration policy pure and simple.

Ratio of Foreign Residents Holding Permanent Resident Status (%)

Chart 5



Source: Ministry of Justice; compiled by DIR.

## What Japan Can Learn from the Example of Germany

Germany, as one of the major destinations for immigrants in Europe, provides us with an example of the serious social problems associated with immigrants, which can occur as a result of allowing the discrepancy between the government façade and reality to remain for so long before the government is finally forced to develop a more conscious policy on immigration. During its high growth period between the 1950s and the beginning of the 1970s, Germany experienced its first “immigration boom”. Most immigrants who arrived at that time were guest workers from Turkey. The German government at that time expected that workers would stay for a certain amount of time to make some money and then eventually return to their home country. However, most of the guest workers arriving at that time stayed permanently. Many people who settled down in Germany then had their families come and join them as well. During this time the German government retained the façade that Germany was not a country that accepts immigrants. Then when the Berlin Wall fell and countries of the former Communist Bloc transformed their social and economic systems, the number of immigrants arriving in Germany increased. Germany was known for its high income level and so many people came looking for work. It was at this point that Germany became a major immigrant nation. It was only in the year 2001 that a government committee on immigration was established, followed by the adoption of an immigration law in 2005. Finally, Germany had come to see itself as an immigrant nation.

Until this time, as far as the German government was concerned, there were no immigrants in Germany. Hence there was no policy to determine how immigrants would be absorbed into German

society. Immigrants from Turkey, even amongst second and third generation residents, remained separate from mainstream German society living in their own separate settlements. Many of these people remained deficient in German language ability and their level of education was low. One of the causes of this problem was the fact that the German government retained the stance during this time that there were no immigrants in Germany, and there was of course no policy for how to handle immigrants. When an immigration law was finally established, an integration course with German language study as its central aspect was also made available for immigrants who decided to settle down in Germany.

As is shown in Chart 1 earlier in this report, Germany's ratio of immigrants (according to the United Nations definition) to total population reached 10.8% as of the year 2000. Even now various problems associated with immigrants can be pointed out, such as insufficient German language ability and a comparatively high unemployment rate. Yet it would be expecting too much to assume that just under ten years after having first begun an integration policy many years after becoming a major destination for immigrants that said policy would already be reaping sufficient results. It would be inappropriate to consider Germany an example of failure in becoming a major immigrant nation simply because social problems associated with immigrants exist. However, it most certainly brings up the question of the pros and cons of having accepted large numbers of immigrants without public debate and without a clear policy while at the same time maintaining the façade that there were no immigrants in the country. It is precisely here where Japan has much to learn from Germany's experience. One could almost say that Japan is lucky to have such scanty experience in accepting foreign workers as of this point in time. In fact, this is exactly why Japan still stands a chance of avoiding Germany's failures by starting now in the consideration of the necessary policy – by confronting the problem of immigration before progressing any farther in the acceptance of foreign workers without any public debate of the issue.

## **Discussing the Problem of Immigration Will Not Immediately Lead to an Increase in Immigrants**

What must be emphasized here is the importance of the willingness to properly confront the immigration problem. The result of doing so will not necessarily lead to an immediate increase in the number of foreigners even if it encourages the development of an immigration policy in the future. As the example of Germany suggests, the consideration of an immigration policy first means an integration of immigration control and social policies, as well as the development of measures to lighten the social cost of accepting immigrants. Secondly, this process should target the creation of more strategic measures and their operation by which a decisive break is made with the haphazard approach to accepting foreigners and instead, consciously making decisions on quotas for status of foreigners accepted and number. Currently, Japan gives residential status to foreigners based on their desire to work and whether or not they meet the requirements for permission to work in Japan. Japan does not implement a labor market test or a numerical quota. A labor market test is used to confirm in advance whether a particular industry is able to fulfill its labor needs with domestic workers alone before giving foreign workers the opportunity to work in Japan. This is a representative measure for prioritizing domestic employment. Meanwhile, numerical quotas set an upper limit on the acceptance of workers based on industry and job description. Both of these methods are used in Europe and North America, including countries such as Germany, the UK and the US.

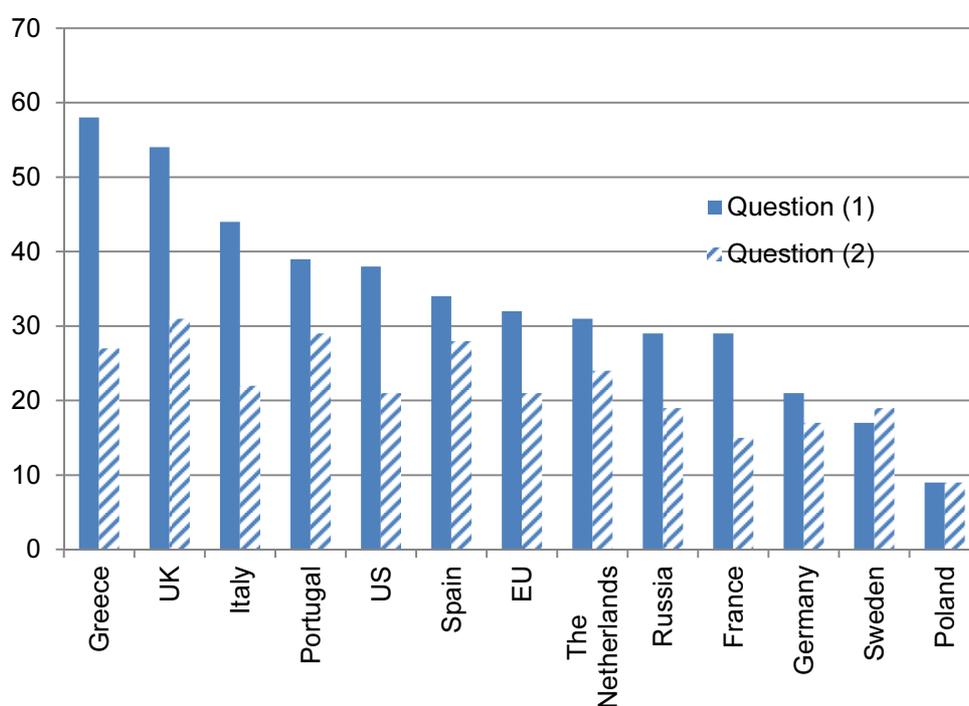
By adopting policies such as described above, it is easier to avoid the unintended consequence of accepting foreign workers, such as a sudden increase in the supply of certain job descriptions or workers in a particular industry which is not necessarily experiencing a tight labor supply situation. Furthermore, another prerequisite is the prioritization of domestic workers before making the decision to accept foreign workers, and the whole immigration process can be made more efficient by

announcing current needs for workers in advance. The result of the labor market test provides a margin which gives you an idea of the number of foreign workers that can be accepted at any one time, and said margin can be publicly announced. The government can then pursue a more practical and efficient policy of accepting foreign workers, while at the same time providing public information on foreign workers and immigrants, thereby reducing the social costs of accepting foreign workers. The ability to plan in this way is much more desirable than the current haphazard method.

An example of the importance of being able to provide information on immigration can be seen in a survey, *Transatlantic Trends, Key Findings 2014*, published by the US public policy think tank, The German Marshall Fund of the United States. This survey seeks answers to the following questions put to American citizens: (1) Generally speaking, do you think that there are too many people in your country who were born overseas? and (2) According to government estimates, xx% of the current population of the US is foreign born. Do you think this is too much?

Are There Too Many Immigrants?

Chart 6



Source: The German Marshall Fund of the United States; compiled by DIR.

Note: Percentage of "Yes" answers to the questions, (1) Generally speaking, do you think that there are too many people in your country who were born overseas? and (2) According to government estimates, xx% of the current population of the US is foreign born. Do you think this is too much? Unit: %

Results of the survey are shown in Chart 6. In most of the countries where these questions were asked, the number of respondents answering that there are too many foreigner-born people in their country dropped off considerably when they were shown statistical information on immigration. This contrasts dramatically with answers given when respondents were shown no data on immigration. This is especially noticeable in the case of Greece, the UK and Italy, where answers in the affirmative to question number (1) (Are there too many foreigners?) was especially high, making the correction to that answer upon being shown hard data all the more dramatic. What this survey suggests is that the perception that there are too many foreigners is an unsubstantiated assertion which arises when there is not enough information available. The example in Chart 6 indicates that making more information on policy and actual numbers of foreign workers accepted available to the public is an important tool which helps to lighten the social costs of accepting foreign workers.

## The difficulty of Bringing in More Highly Skilled Workers

As has been mentioned before in this report, the question of whether to accept foreign workers can easily become a polarizing issue. It is usually assumed that there would be a considerably adverse reaction in Japan towards the acceptance of immigrants on the assumption that they would be given permanent residence, and this is likely why there is such a political obstacle to confronting the problem of immigration face on. Moreover, the promotion of policy associated with foreigners holds no promise of an immediate return to politicians. However, as resident foreigners move closer to becoming immigrants for all intents and purposes, the habit of politicians turning their backs on the immigration problem can only lead to the strengthening of the anti-immigration argument as public safety deteriorates, social divisions increase, and the lack of public information continues. This increases the probability that Japan will repeat the mistakes of Germany shown in Chart 5 of this report.

In this context, the one area which has not inspired much resistance is the acceptance of highly skilled foreign workers. The stance of accepting highly skilled personnel was indicated more concretely on May 2012 with the use of the Points-Based System for Highly Skilled Foreign Professionals. Activities included under the highly skilled professional designation are Advanced Academic Research Activities, Advanced Specialized/Technical Activities, and Advanced Business Management Activities. For each category points are given for Academic Background, Professional Career, and Annual Salary. If points reach a total of 70, the individual is given preferential treatment by Immigration Control. Since the implementation of this system foreign residents gaining entry under the new system numbered 313 as of the end of 2012, 779 as of end 2013, and 1,446 as of end June 2014. However, considering the fact that after two years the program should be more widely known, as well as the fact that preferential treatment is given for those seeking permanent residence and the ease with which the required points can be obtained, we would have to conclude that performance of the program has been rather meager.

Points can be gained under the Advanced Specialized/Technical Activities category if the individual has the following: master's degree (20 points), ten years of work history (20 points), annual salary of over 8 million yen (30 points). An individual can easily pass the test without his/her actual experience in a specialized field being questioned at all. If an individual gains points for being certified or licensed for a particular profession or for experience in research, other categories such as education and annual income become more lax. Even if an individual does not fall within the Advanced Specialized/Technical Activities category, they can still easily pass the other requirements related to education, job experience, and annual income if they are from one of the advanced nations. Developing countries, especially those in Asia, boast advanced education and there are large numbers of people working both at local and foreign owned companies who have a highly educated and professionally experienced background. Even so, the point system has sketchy performance in terms of people showing interest in taking advantage of it. The reason is that Japan simply lacks the competitiveness to acquire highly skilled personnel.

According to the *IMD World Competitiveness Yearbook 2014* published by Switzerland's International Institute for Management Development (IMD), out of 60 countries surveyed, Japan ranks 48<sup>th</sup> in "attractiveness to foreign-born highly skilled professionals". Some of the reasons for Japan's low ranking include the relatively low income of corporate management and researchers, poor geographical accessibility from the advanced countries in North America and Europe, and language issues (Japanese is not a commonly studied language). Another factor which may be part of the reason for Japan's low ranking is the fact that most Japanese corporations are not very positive about accepting foreign personnel. In another IMD category, international experience of senior managers, Japan ranks 59<sup>th</sup> out of 60 countries listed. Despite the fact that globalization has progressed in Japan to the degree that at one point there were serious fears regarding the hollowing out of Japanese industry, compared to other advanced countries Japan is actually behind. Corporations placing

importance on diversity of personnel and creating a system which can easily accept foreigners are rare in Japan.

## Upgrading and Expanding Investment in Education

When it comes to the acceptance of highly skilled professionals, we have to start with the reality of Japan's crucial lack of competitiveness in attracting this type of personnel. Above all, the thing to avoid is the further loosening of the Points-Based System for Highly Skilled Foreign Professionals as a means of compensating for areas where Japan is still behind. This would cause the system to lose substance. In the U.S., the H1B visa for fixed term employment has too often been used to bring in unskilled workers, thereby causing a loss of trust in the system for bringing in foreign skilled workers. Denmark's green card system is said to be a similar case.

At a time when accepting foreign workers for the construction industry is being considered, while at the same time the labor shortage in the area of registered nurses and nursing care workers has reached chronic proportions, Japan's dichotomous system whereby highly skilled workers are accepted but unskilled workers are not, has for all intents and purposes become bankrupt. Moreover, as was discussed in the previous section, Japan has been unable to attract many highly skilled professionals. Under these conditions, rather than hurrying to attract highly skilled professionals, it would be more realistic to increase the number of foreign workers accepted in stages and in a well-planned manner, for the moment leaving aside the question of what kind of skills and experience are required, starting with industries and job descriptions where there is clearly a labor shortage in Japan. And another important factor to remember when accepting foreign workers is providing Japanese language lessons.

This is partly a means of improving at least somewhat Japan's competitiveness in attracting highly skilled professionals, which is now positioned at the lowest rank amongst the advanced nations. The important thing is to aim toward the enhancement of the mutual benefit of Japan and the Asian countries by offering training for human resources from the emerging nations in Asia.

All of the advanced nations without exception have adopted selective immigration policies. In other words, priority is given to highly skilled professionals and job categories where a labor shortage exists, while immigration by individuals in other job categories is tightly controlled. Japan is the same here despite its lack of an immigration policy (or the façade of lacking a policy). The point system as described above is a perfect example of a selective immigration policy. There is a competition going on between the advanced nations to acquire highly skilled professionals or human resources with certain experience and skill levels. For the advanced nations, selectively accepting the human resources it most wants is a purely practical stance, but from the viewpoint of the countries supplying said resources one wonders how long this kind of competition can continue.

Let us consider the Philippines (a major supplier of migrant workers) as an example. Cash sent back to their home country by individuals working overseas constitutes 10% of the country's GDP. Without cash sent back by migrant workers, the people of the Philippines could not maintain the current standard of living which they enjoy. Looking at it from this angle, the migration of workers from the Philippines actually produces a profit. However, this is not always a positive thing. The emigration of doctors, nurses, teachers, and others with specialized backgrounds causes a serious shortage of human resources in these fields. The result is that the Philippines is suffering serious deterioration of basic social infrastructure, such as medical care and education. In the long-term, the disadvantages of losing important human resources will outweigh the benefits of cash sent back from overseas.

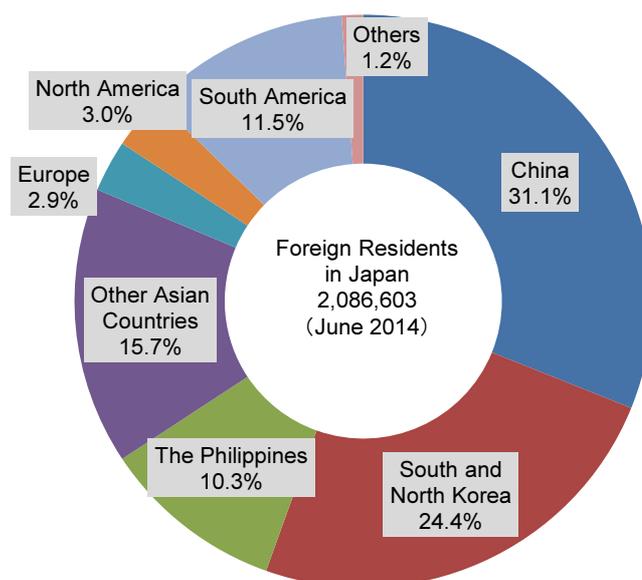
As long as enough cash can be obtained from the human resources which have left the country to compensate for the cost of education and training, a net loss caused by the brain drain can be avoided. However, once social infrastructure such as education deteriorates beyond a certain point, it will be

impossible to uphold the supply of personnel. There is always the possibility that the competition taking place between the advanced nations to obtain highly skilled workers will impoverish the developing nations which are supplying the human capital.

But it's not as simple as implementing regulatory controls and having the advanced nations exercise voluntary restraint in this area. In the case of the Philippines, a decline in the number of migrant workers leaving the country at this time would mean an immediate decline in the living standards now enjoyed by its people. Coming up with a policy to offset this within a short space of time would likely be difficult. Moreover, stricter immigration controls on the part of advanced nations could cause a decline in the incentive of young people in developing nations to gain the kind of education needed to build a career overseas. And in turn it would prevent the improvement of the quality of human resources and become a hindrance to economic growth. In order for developing countries to continue supplying advanced nations with manpower without themselves becoming impoverished, the advanced nations, including Japan, must accept the problem of the training of human resources in developing countries as their own. One idea would be to provide Japanese language training before workers come to Japan, making a more wide-ranging application of public funding which is now carried out within the framework of the EPA program. It seems that investing in education to train potential workers before they are called to Japan should be especially important in Japan's case, due to its deficient competitiveness in attracting foreign human resources.

Finally, I would like to emphasize the importance of building stable diplomatic relations in Asia. As is indicated by the Japan Revitalization Strategy (Revised 2014) which includes "Utilization of Foreign Workers" as one of its points, it is almost certain that the number of foreign residents in Japan will grow in the future. It is assumed that most of these individuals will come from Asian countries. In fact, out of a total of 2,087,000 foreigners residing in Japan as of June 2014, 81.4% or 1,698,000 individuals originated from Asian countries. This included 649,000 individuals with Chinese citizenship (31.1%) and 509,000 with Korean citizenship (24.4%), constituting half of foreign residents in Japan. The next largest group was from the Philippines totaling 214,000 individuals (10.3%). Individuals from countries other than Asian countries accounted for just over 5% of the total, and most of these were persons of Japanese ancestry from Brazil (178,000, or 8.5%). The same tendency can be seen in individuals in Japan under the Points-Based System for Highly Skilled Foreign Professionals. The percentage is small in comparison to the total, but of the 1,446 individuals participating in this program, 1,159, or 80.2%, are from Asian countries. The greatest share is China with 901 individuals. The weight held by persons of Asian origin in the breakdown of foreign residents in Japan is not expected to change much in the future.

Foreign Residents in Japan by Nationality and Region Chart 7



Source: Ministry of Justice; compiled by DIR.

As is indicated by the fact that the major destination for mid to long-term stays by workers from the Philippines is the United States, for people of Asian countries, Japan is only one amongst many choices. Unstable diplomatic relations with Asian countries would therefore be something which could only tarnish Japan's reputation being that its competitiveness in attracting human resources is already on the low side. For Japan the most important thing when it comes to Asians is that they can provide necessary labor, but as long as we are talking about flesh and blood human beings, we cannot expect things to work out based on *politically cool but economically hot relations* as the relationship between Japan and China is often described. A further decline in Japan's competitiveness in attracting human resources would mean either reducing the total number of foreign workers accepted, or accepting a decline in the quality of workers with no change in actual number. The latter would also mean an increase in the social costs of bringing in foreign workers. In the mid to long-term, many of the Asian nations also expect to see declines in birthrates. When that happens it will become increasingly difficult to attract people in the younger generation. It will therefore become increasingly important in the future to build and maintain good relations with Asian nations.

## Promoting Public Discussion

The population of foreign residents in Japan is less than 2% of the total population. Problems related to immigrants are therefore limited to only certain locations, making it difficult to make this a national focus. On the other hand, despite being less than 2% of the total population, there are in fact already foreigners who are very much a part of Japan's society and economy. Though still limited, there are certain industries, job descriptions, and regions where it is assumed that foreigners will be part of the mix. It is a fact that the percentage of permanent residents in Japan accounted for by foreigners is most definitely on the rise.

With the situation as it is, it would be inappropriate to be overly hasty in coming to an answer to questions such as whether Japan should establish a clear immigration policy, or whether the number of foreign workers accepted should be increased significantly. This is because Japan is seriously lacking in the accumulation of arguments to consider in answering these questions. What is urgently needed is to begin articulating arguments based on objective fact that will ultimately move toward the development of the necessary policy.